

## Message Text

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ORIGIN STR-05

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FM SECSTATE WASHDC  
TO AMEMBASSY PARIS IMMEDIATE  
AMCONSUL BORDEAUX IMMEDIATE

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PARIS PASS AGRICULTURAL ATTACHE, BORDEAUX PASS CONSUL GENERAL

E.O. 11652: N/A

TAGS: ETRD, MTN, GATT

SUBJECT: MTN: WINE-GALLON/PROOF-GALLON

REF: MTN GENEVA 2530

FOLLOWING IS REPEAT OF STATE 138276, OF JUNE 14, 1977, PER  
PARA 8, STATE 271689.

1. WE AGREE WITH MTN DELEGATION (PARA. 1, REFTEL) THAT  
U.S. WINE-GALLON METHOD OF ASSESSING EXCISE TAXES AND  
IMPORT DUTIES ON IMPORTED BOTTLED DISTILLED SPIRITS IS OF  
INTEREST TO MANY COUNTRIES, INCLUDING THE EC COUNTRIES.  
ACCORDING TO OUR CALCULATIONS, THE FOLLOWING ADDITIONAL  
EXCISE TAXES AND IMPORT DUTIES WERE COLLECTED IN 1976  
AS A RESULT OF USING THE WINE-GALLON ASSESSMENT METHOD  
RATHER THAN THE PROOF-GALLON METHOD FOR IMPORTED BOTTLED  
DISTILLED SPIRITS:

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HEADING FOR COLUMN (1): SOURCE OF IMPORTS  
HEADING FOR COLUMN (2): TOTAL EXTRA TAX AND DUTY  
COLLECTED--THOUSANDS OF DOLLARS  
HEADING FOR COLUMN (3): TYPE SPIRIT(S)

(1) - - - (2) - - - (3)

UK ---- 55,811 --- SCOTCH, GIN, BRANDY, CORDIALS,  
----- LIQUEUR, PREPARATIONS FOR  
----- SPIRITS, ETC.

FRANCE 5,298 --- CORDIALS, LIQUEUR, BRANDY, ETC.

ITALY --- 4,657 --- CORDIALS, LIQUEUR, BITTERS, ETC.

IRELAND -- 446 --- IRISH WHISKY, CORDIALS, LIQUEUR,  
----- ETC.

DENMARK -- 190 --- CORDIALS, LIQUEURS, AQUAVIT, ETC.

W. GERMANY 155 --- CORDIALS, LIQUEURS, BRANDY, ETC.

NETHERLANDS 60 --- CORDIALS, LIQUEURS, PREPARATIONS  
----- FOR SPIRITS

BELGIUM --- 43 --- CORDIALS, LIQUEURS, BRANDY, ETC.

TOTAL EC - 66,660

CANADA -- 32,254 --- CANADIAN WHISKY, ETC.

SPAIN --- 671 --- BRANDY, CORDIALS, LIQUEURS, ETC.  
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TRINIDAD - 639 --- BITTERS, ETC.

GREECE -- 623 --- CORDIALS, LIQUEURS, BRANDY, ETC.

MEXICO -- 514 --- TEQUILA, BRANDY, ETC.

POLAND -- 102 --- VODKA, PREPARATIONS FOR SPIRITS,  
----- CORDIALS, ETC.

JAMAICA -- 83 --- RUM

PORTUGAL - 60 --- BRANDY, CORDIALS, LIQUEURS, ETC.

GUYANA --- 25 --- RUM

JAPAN --- 19 --- WHISKEY, GIN, ETC.

ISRAEL --- 14 --- CORDIALS, LIQUEURS, ARRACK, ETC.

PERU ---- 10 --- BRANDY

ALL OTHER - 4,360 --- VARIOUS

TOTAL ALL COUNTRIES: 106,035

2. THE WINE-GALLON ASSESSMENT METHOD PROVIDES AN IMPORTANT SOURCE OF REVENUE TO THE U.S. TREASURY. IN RECENT YEARS THE UNITED STATES HAS COLLECTED 100-110 MILLION DOLLARS ANNUALLY IN ADDITIONAL REVENUES RESULTING FROM WINE-GALLON ASSESSMENT. IN 1976 ADDITIONAL REVENUE RESULTING FROM WINE-GALLON ASSESSMENT ACCOUNTED FOR ABOUT 15 PERCENT OF ALL U.S. EXCISE TAXES AND IMPORT DUTIES COLLECTED ON IMPORTED DISTILLED SPIRITS.

3. THERE ARE INDICATIONS THAT SOME FOREIGN DISTILLERS ARE CONSIDERING LOWERING THEIR AVERAGE PROOF LEVELS AS MANY LIMITED OFFICIAL USE

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U.S. DISTILLERS HAVE ALREADY DONE IN ORDER TO MODERATE PRICE RISES. INFORMATION AVAILABLE FROM THE UK GOVERNMENT INDICATES THAT FUTURE U.S. REVENUE COLLECTIONS FROM WINE-GALLON ASSESSMENT COULD INCREASE BY AN ESTIMATED 26 MILLION DOLLARS PER YEAR IF PROOF LEVELS OF FOREIGN BOTTLED SPIRITS ARE REDUCED FROM AN AVERAGE OF 86 PROOF TO AN AVERAGE OF 82 PROOF. THIS WOULD OBVIOUSLY INCREASE THE NEGOTIATING VALUE OF WINE-GALLON.

4. WE NOTE THAT THE EC AND CANADA HAVE NOTIFIED THE WINE-GALLON ISSUE UNDER THE PROCEDURES OF GROUP AGRICULTURE (MTN/AG/W/11/ADD.5 AND ADD.14). AS REPORTED BY MTN DELEGATION (MTN GENEVA 2169 AND MTN GENEVA 9957), PRELIMINARY CONSULTATIONS WITH THE EC AND CANADA TOOK PLACE ON MARCH 18, 1977 AND ON DECEMBER 8, 1976, RESPECTIVELY.

5. THE UNITED STATES IS FLEXIBLE AS TO THE MANNER THAT FURTHER CONSULTATIONS ON WINE-GALLON ARE CONDUCTED. WE CAN AGREE TO FURTHER CONSULTATIONS AT THIS TIME ON THE WINE-GALLON ISSUE UNDER GROUP AGRICULTURE PROCEDURES. IF WINE-GALLON WERE TO BE NOTIFIED UNDER THE PROCEDURES FOR NONTARIFF MEASURES NOT BEING DEALT WITH MULTILATERALLY, WE COULD AGREE TO CONSULT UNDER THOSE PROCEDURES. WE HAVE NO OBJECTIONS TO PROCEEDING WITH BILATERAL CONSULTATIONS WITH THE EC UNDER EITHER OF THESE PROCEDURES. HOWEVER, WE DO DESIRE A FORMAL PROCEDURE; FORUM IS NOT OF IMPORTANCE. WE PREFER NOT TO CONSULT ON THIS SUBJECT ON A COMPLETELY INFORMAL BASIS AS SUGGESTED IN PARAGRAPH 1, REFTEL, AS OTHER COUNTRIES WOULD NOT BE AWARE THAT SUCH DISCUSSIONS ARE TAKING PLACE. BECAUSE OF THE IMPORTANCE OF THIS ISSUE TO MANY COUNTRIES AND DUE TO THE NUMBER OF COUNTRIES FROM WHICH THE UNITED STATES WOULD HAVE TO RECEIVE COMPENSATION IF WINE-GALLON WERE MODIFIED, WE

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WILL EVENTUALLY NEED TO CONSULT WITH OTHER COUNTRIES HAVING A TRADE INTEREST IN WINE-GALLON; SUBSEQUENTLY, WE CAN DECIDE IF IT IS BEST TO PROCEED BILATERALLY OR PLURILATERALLY ON THIS ISSUE.

6. WE NOTE THAT THE EC MUST RESOLVE CERTAIN DIFFICULTIES WITHIN THE COMMISSION BEFORE IT CAN UNDERTAKE FURTHER CONSULTATIONS ON THE WINE-GALLON ASSESSMENT METHOD. WE ARE INTERESTED IN KNOWING THE NATURE OF THESE DIFFICULTIES. (A) HAS THE EC COMMISSION DISCUSSED THIS MATTER WITH ALL MEMBER STATES? (B) DO EC DIFFICULTIES STEM FROM THE FACT THAT THE UNITED STATES WOULD EXPECT MAJOR EC CONCESSIONS IN RETURN FOR ANY MODIFICATION OF THE WINE-GALLON ASSESSMENT METHOD? THE UNITED STATES, OF COURSE, WOULD EXPECT MAJOR CONCESSIONS FROM THE EC, CANADA, AND OTHER BENEFICIARY COUNTRIES AS PART OF ANY OVERALL PACKAGE. (C) HAVE EC DIFFICULTIES ARISING BECAUSE WINE-GALLON MODIFICATION WILL PRIMARILY BENEFIT THE UK BUT OTHER MEMBER STATES MAY HAVE TO PAY MAJOR COMPENSATION FOR IT?

7. MTN DELEGATION SHOULD CONTACT EC DELEGATION TO RELATE OUR VIEWS REGARDING OUR PREFERENCE FOR SOME TYPE OF FORMALIZED PROCEDURES. IN ADDITION, MTN DELEGATION SHOULD POSE QUESTIONS IN PARAGRAPH 6. VANCE

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## Message Attributes

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**Type:** TE  
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